

RediShred Capital Corp.

Consolidated Interim Financial Statements

September 30, 2014 and 2013

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

November 27, 2014

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited consolidated interim financial statements for the period ended September 30, 2014.

RediShred Capital Corp.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	September 30, 2014 \$	December 31, 2013 \$
Assets		
Current assets		
Cash	561,141	348,998
Cash attributable to the Advertising Fund (note 3)	31,575	63,375
Trade receivables	610,511	448,982
Prepaid expenses	103,982	98,018
Notes receivable from franchisees	71,251	148,633
	<u>1,378,460</u>	<u>1,108,006</u>
Non-current assets		
Notes receivable from franchisees	183,904	166,112
Equipment (note 4)	2,571,000	2,195,083
Intangible assets (note 5)	3,601,513	4,059,247
Goodwill (notes 6)	1,532,928	1,455,467
	<u>7,889,345</u>	<u>7,875,909</u>
Total assets	<u>9,267,805</u>	<u>8,983,915</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	686,391	606,508
Current portion of notes payable	106,445	112,804
Current portion of long-term debt (note 7)	761,804	648,004
Deferred revenue	—	57,966
Contingent consideration	—	5,318
	<u>1,554,640</u>	<u>1,430,600</u>
Non-current liabilities		
Long-term debt (note 7)	7,648,678	7,476,411
Long-term notes payable	19,761	98,452
Deferred tax liability	182,645	214,350
Convertible debenture	341,456	337,882
	<u>8,192,540</u>	<u>8,127,095</u>
Total liabilities	<u>9,747,180</u>	<u>9,557,695</u>
Shareholders' Deficiency		
Capital Stock	8,585,808	8,585,808
Contributed surplus	372,605	372,479
Accumulated other comprehensive loss	(173,481)	(134,400)
Deficit	(9,264,307)	(9,397,667)
	<u>(479,375)</u>	<u>(573,780)</u>
Total liabilities and shareholders' deficiency	<u>9,267,805</u>	<u>8,983,915</u>

Commitments (note 12)

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.

Consolidated Statements of Comprehensive Loss

(expressed in Canadian dollars)

	<i>For the 3 months ended September 30</i>		<i>For the 9 months ended September 30</i>	
	2014	2013	2014	2013
	\$	\$	\$	\$
Revenue (note 9)	1,568,892	1,463,870	4,603,816	3,444,157
Corporate operating locations expenses (note 10)	(883,492)	(716,800)	(2,549,016)	(1,955,374)
Selling, general and administrative expenses (note 11)	(462,583)	(689,692)	(1,387,870)	(1,416,476)
Income before interest, income taxes and other items	222,817	57,378	666,930	72,307
Gain on sale of assets	40,656	–	40,656	3,754
Extinguishment of franchise agreement	–	(96,621)	–	(96,621)
Interest expense	(216,662)	(176,998)	(621,837)	(513,155)
Interest income	2,627	1,844	7,346	5,793
Income (loss) before income taxes	49,438	(214,397)	93,095	(527,922)
Income tax recovery	13,353	(191)	40,265	24,738
Net income (loss) for the period	62,791	(214,588)	133,360	(503,184)
Other comprehensive income (loss), net of tax				
Foreign currency translation income (loss)	16,486	5,581	(39,081)	(42,939)
Comprehensive income (loss) for the period	79,277	(209,007)	94,279	(546,123)
Net income (loss) per share				
Basic and diluted	0.00	(0.01)	0.00	(0.02)
Weighted average number of commons shares outstanding – basic and diluted	28,884,658	28,884,658	28,884,658	28,884,658

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Capital stock and warrants \$ (note 9)	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total shareholders' deficiency \$
Balance – January 1, 2013	8,585,808	367,957	(71,561)	(9,357,200)	(474,996)
Net loss for the period	–	–	–	(40,467)	(40,467)
Other comprehensive loss					
Foreign currency translation loss	–	–	(62,839)	–	(62,839)
Comprehensive loss for the period	–	–	–	–	(103,306)
Stock-based compensation (note 8)	–	4,522	–	–	4,522
Balance – December 31, 2013	8,585,808	372,479	(134,400)	(9,397,667)	(573,780)
Net income for the period	–	–	–	133,360	133,360
Other comprehensive loss					
Foreign currency translation loss	–	–	(39,081)	–	(39,081)
Comprehensive income for the period	–	–	–	–	94,279
Stock-based compensation (note 8)	–	126	–	–	126
Balance – September 30, 2014	8,585,808	372,605	(173,481)	(9,264,307)	(479,375)

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.
Consolidated Statements of Cash Flows
(expressed in Canadian dollars)

	<i>For the 3 months ended September 30</i>		<i>For the 9 months ended September 30</i>	
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	62,791	(214,588)	133,360	(503,184)
Items not affecting cash				
Amortization of equipment and intangible assets	300,936	252,042	904,889	703,859
Stock-based compensation	58	61	126	190
Unrealized foreign currency (gain) loss	(33,621)	105,056	(218,711)	(178,281)
Gain on sale of assets	(40,656)	–	(40,656)	(3,754)
Extinguishment of franchise agreement	–	96,621	–	96,621
Income tax recovery	(13,353)	191	(40,265)	(24,738)
	<u>276,155</u>	<u>239,383</u>	<u>738,743</u>	<u>90,713</u>
Net change in non-cash working capital balances				
(Increase) in trade receivables	(35,878)	(43,552)	(161,530)	(2,830)
(Increase) decrease in prepaid expenses	(2,887)	7,257	(5,964)	(206)
Decrease (increase) in notes receivable from franchisees	27,747	(96,229)	59,589	(94,325)
(Decrease) in deferred revenue	–	(5,259)	(57,966)	–
Increase in accounts payable and accrued liabilities	93,263	140,222	79,883	99,928
	<u>358,400</u>	<u>241,752</u>	<u>652,755</u>	<u>93,280</u>
Financing activities				
Repayment of long-term debt	(127,766)	(54,752)	(311,026)	(129,696)
Borrowings of long-term debt	482,084	1,252,991	482,084	1,252,991
Repayment on line of credit	–	–	–	(50,912)
Repayment of notes payable	(22,982)	47,490	(85,049)	(5,174)
	<u>331,336</u>	<u>1,245,729</u>	<u>86,009</u>	<u>1,067,209</u>
Investing activities				
Cash held by advertising fund	57,208	22,084	31,800	5,023
Cash paid on acquisition of franchise	–	(1,250,000)	–	(1,250,000)
Sale of capital assets	8,190	–	(581,370)	53,200
Purchase of capital assets	(547,474)	(5,346)	8,190	(26,190)
	<u>(482,076)</u>	<u>(1,233,262)</u>	<u>(541,380)</u>	<u>(1,217,967)</u>
Effect of foreign exchange rate changes on cash	<u>7,132</u>	<u>2,299</u>	<u>14,759</u>	<u>6,061</u>
Net change in cash for the period	<u>214,792</u>	<u>256,518</u>	<u>212,143</u>	<u>(51,417)</u>
Cash – Beginning of period	<u>346,349</u>	<u>224,105</u>	<u>348,998</u>	<u>532,040</u>
Cash – End of period	<u>561,141</u>	<u>480,623</u>	<u>561,141</u>	<u>480,623</u>

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.

Notes to the Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

1 Corporate information and nature of operations

Redishred Capital Corp. (“Redishred” or the “Company”) was incorporated under the Canada Business Corporations Act on October 18, 2006 and is domiciled in Canada. Redishred’s common shares are listed for trading on the TSX Venture Exchange under the symbol “KUT”. The registered address of the Company is 6559 Mississauga Road, Mississauga, Ontario, L5N 1A6.

Redishred manages and operates the Proshred brand and business platform (“system”) in the United States and internationally (with the exception of Canada). Redishred operates the Proshred system under three business models, (1) franchising in the United States, (2) via direct ownership of shredding trucks and facilities in the United States and, (3) licensing internationally.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The consolidated financial statements should be read in conjunction with the most recently issued Annual Report of Redishred for the year ended December 31, 2013, which includes information necessary or useful to understanding the Company’s business and financial statement presentation. These interim consolidated financial statements comprise the financial statements of Redishred and its subsidiaries as at September 30, 2014. Together, Redishred and its subsidiaries are referred to as “the Company.”

The Company’s significant accounting policies were presented as Note 3 to the Audited Consolidated Financial Statements for the year ended December 31, 2013 and have been consistently applied in the preparation of these consolidated financial statements. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. Certain prior period amounts have been reclassified to conform to the current period’s presentation.

These interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention. The interim consolidated financial statements are presented in Canadian dollars, which is Redishred’s presentation currency.

The interim consolidated financial statements of the Company for the three and nine months ended September 30, 2014 were authorized for issue in accordance with a resolution of the Directors on November 25, 2014.

3 Advertising fund

The Company manages an advertising fund (the “Ad Fund”) established to collect and administer funds contributed for use in regional and national advertising programs, and amongst other things, initiatives designed to increase sales and enhance general public recognition, acceptance and use of the Proshred System. Contributions to the Ad Fund are required to be made from both franchised and Company owned and operated locations and are based on a percentage of each location’s revenue. In accordance with *IAS 18 – Revenue*, the revenue, expenses and cash flows of the Ad Fund are not included in the Company’s Statements of Comprehensive Loss because the contributions to the Ad Fund are segregated, designated for a specific purpose, and the Company acts, in substance, as an agent with regard to these contributions. As at September 30, 2014, the cash attributable to the Ad Fund amounted to \$31,575 (December 31, 2013 - \$63,375).

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

4 Equipment

Cost	Computer	Furniture &	Bins &	Shredding	Shredding	Recycling	Vehicles	Total
	equipment	fixtures	shredding	vehicles -	vehicles -	equipment		
	\$	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2013	126,199	59,485	154,563	423,992	922,918	92,901	52,710	1,832,768
Additions	1,994	3,411	19,734	279,995	642,292	–	–	947,426
Acquisitions	–	3,172	74,389	154,545	381,211	–	5,152	618,469
Sale of assets	–	–	(1,477)	(142,626)	(304,969)	(95,741)	(16,938)	(561,751)
Foreign exchange	4,063	590	12,841	35,895	128,079	2,840	20,659	204,967
As at December 31, 2013	132,256	66,658	260,050	751,801	1,769,531	–	61,583	3,041,879
Additions	3,640	426	44,612	148,549	384,144	–	–	581,371
Sale of assets	–	–	–	–	(8,190)	–	–	(8,190)
Foreign exchange	1,843	1,877	10,846	45,117	87,318	–	1,823	148,464
As at September 30, 2014	137,739	68,961	315,148	945,467	2,232,803	–	63,406	3,763,524

Accumulated depreciation	Computer	Furniture &	Bins &	Shredding	Shredding	Recycling	Vehicles	Total
	equipment	fixtures	shredding	vehicles -	vehicles -	equipment		
	\$	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2013	96,061	53,473	39,147	109,059	233,196	23,183	11,254	565,373
Depreciation	10,119	4,929	39,883	75,768	172,887	2,535	12,289	318,410
Sale of assets	–	–	–	(28,886)	(58,487)	(26,778)	(6,676)	(120,827)
Foreign exchange	1,731	177	3,967	2,619	56,709	1,060	17,577	83,840
As at December 31, 2013	107,911	58,579	82,997	158,560	404,305	–	34,444	846,796
Depreciation	6,035	3,820	43,562	68,713	158,111	–	6,441	286,682
Sale of assets	–	–	1,349	6,881	8,032	–	–	16,262
Foreign exchange	763	1,734	2,311	8,408	29,184	–	384	42,784
As at September 30, 2014	114,709	64,133	130,219	242,562	599,632	–	41,269	1,192,524

Net book value								
As at December 31, 2013	24,345	8,079	177,053	593,241	1,365,226	–	27,139	2,195,083
As at September 30, 2014	23,030	4,828	184,929	702,905	1,633,171	–	22,137	2,571,000

The foreign exchange adjustment is a result of the translation of corporate equipment from US functional currency dollars to Canadian presentation dollars at September 30, 2014 and December 31, 2013. Depreciation related to the corporate stores is included in the statement of comprehensive loss in “corporate operating expenses.” Depreciation related to the franchising and licensing business is included in the statement of comprehensive loss in “selling, general & administrative expenses.”

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

4 Equipment (continued)

The Company has two shredding vehicles held under a finance lease arrangement. As of September 30, 2014, the net carrying amount of the related shredding vehicles, included as part of equipment is \$385,956. The finance lease liability (refer to note 7) is secured by the related assets held under the finance leases. Future minimum finance lease payments at September 30th were as follows:

September 30, 2014	Minimum lease payments due		Total
	Within 1 year \$	1 – 5 years \$	
Lease payments	80,803	386,206	467,009
Finance charges	(27,286)	(62,898)	(90,184)
Net present values	53,517	323,308	376,825

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

5 Intangible assets

Cost	Trademarks and					Total
	Franchise agreements	Proshred system	intellectual property	Re-acquired franchise rights	Customer relationships	
	\$	\$	\$	\$	\$	\$
As at January 1, 2013	2,365,361	978,000	1,672,500	845,666	1,029,722	6,891,249
Acquisitions	–	–	–	100,969	762,422	863,391
Removal of original franchise agreement	(173,321)	–	–	–	–	(173,321)
Foreign exchange	193,492	–	–	61,524	94,081	349,097
As at December 31, 2013	2,385,532	978,000	1,672,500	1,008,159	1,886,225	7,930,416
Additions	–	–	–	–	7,289	7,289
Foreign exchange	93,870	–	–	53,601	101,779	249,250
As at September 30, 2014	2,479,402	978,000	1,672,500	1,061,760	1,995,293	8,186,955
Accumulated amortization	Trademarks and					Total
	Franchise agreements	Proshred system	intellectual property	Re-acquired franchise rights	Customer relationships	
	\$	\$	\$	\$	\$	\$
As at January 1, 2013	1,424,251	562,681	1,088,452	343,235	130,388	3,549,007
Amortization	171,143	80,741	113,042	155,641	136,248	656,815
Reversal of previous impairment	(132,382)	(72,931)	(225,867)	–	–	(431,180)
Removal of original franchise agreement	(73,812)	–	–	–	–	(73,812)
Foreign exchange	128,107	–	–	28,731	13,501	170,339
As at December 31, 2013	1,517,307	570,491	975,627	527,607	280,137	3,871,169
Amortization	160,338	73,350	125,433	120,440	133,119	612,680
Foreign exchange	53,615	–	–	32,082	15,896	101,593
As at September 30, 2014	1,731,260	643,841	1,101,060	680,129	429,152	4,585,442
Net book value						
As at December 31, 2013	868,225	407,509	696,873	480,552	1,606,088	4,059,247
As at September 30, 2014	748,142	334,159	571,440	381,631	1,566,141	3,601,513

During the three months ended September 30, 2014, the Company acquired a customer list in the Charlotte market. As at September 30, 2014, a preliminary fair value of the customer list has been determined. The foreign exchange adjustment is a result of the translation of foreign operation intangible assets in US dollars to Canadian dollars at September 30, 2014 and December 31, 2013. Amortization of reacquired franchise rights and customer relationships for the period is included in the statement of comprehensive loss in “corporate operating expenses” and amortization of the remaining intangible assets is included in the statement of comprehensive loss in “selling, general and administrative expenses.” The Company’s franchise agreements, customer lists and re-acquired franchise rights are attributed to the Company’s franchises and corporately owned locations in the US.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

6 Goodwill

The following table presents goodwill as at September 30, 2014 and December 31, 2013:

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	\$	\$
Opening balance	1,455,467	1,361,705
Add: Foreign currency translation	77,461	93,762
Closing balance	<u>1,532,928</u>	<u>1,455,467</u>

7 Long-term debt

As at September 30, 2014 and December 31, 2013 long-term debt is comprised of:

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	\$	\$
Line of credit (i)	5,971,149	5,982,184
Less: deferred financing charges	(5,526)	(22,086)
Line of credit net of deferred financing charges	5,965,623	5,960,098
Truck loans (ii)	847,286	755,656
Finance lease liability (iii)	385,956	144,434
Term loans (iv)	1,211,617	1,264,227
Total long-term debt	8,410,482	8,124,415
Less: current portion	(761,804)	(648,004)
Total	<u>7,648,678</u>	<u>7,476,411</u>

(i) Line of Credit

The line of credit was entered into on November 27, 2009 with a related party (see note 16) for a maximum amount of \$4 million. The line of credit was originally repayable on November 27, 2014, bearing interest at a fixed rate of 10% per annum, and secured by a general security agreement over the Company's assets. Deferred financing charges in respect of this facility are charged to expense over the term of the facility. During the year ended December 31, 2011, the line of credit limit was increased to \$5.37 million. During the year ended December 31, 2012, the line of credit was increased to \$6.03 million. The other terms of the agreement remained unchanged upon increasing the line of credit. The Company has drawn from its line of credit in order to finance the purchase of its corporate locations including Syracuse, Albany, and Milwaukee in 2010 and New York City and Miami in 2012 and for general business purposes. In September of 2013, the Company signed an amendment to its existing line of credit facility, extending the facility's term for an additional three years to November 27, 2017. The other terms of the agreement remained unchanged upon extending the facility's term.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

7 Long-term debt (continued)

(ii) Truck loans

On November 11, 2011, the Company entered into a loan and security agreement in the amount of US\$240,000, repayable with monthly blended payments of principal and interest of US\$5,690 maturing October 3, 2015. The loan bears interest at 8.14% per annum and is secured by two shredding vehicles with a carrying value of CAD\$257,828 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$79,034 (US\$70,566).

On July 5, 2012, the Company entered into a loan and security agreement in the amount of US\$121,128, repayable with monthly blended payments of principal and interest of US\$3,718 maturing July 5, 2015. The loan bears interest at 6.502% per annum and is secured by one shredding vehicle with a carrying value of CAD\$77,459 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$40,414 (US\$36,084).

On August 3, 2012, the Company entered into a loan and security agreement in the amount of US\$125,556, repayable with monthly blended payments of principal and interest of US\$2,545 maturing August 13, 2017. The loan bears interest at 8% per annum and is secured by one shredding vehicle with a carrying value of CAD\$165,976 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$88,745 (US\$79,237).

On January 3, 2013, the Company traded in one of its shredding vehicles for a larger shredding vehicle. The related loan and security agreement entered into on August 8, 2012, in the amount of US\$121,000, was replaced with a new loan and security agreement. The new loan and security agreement for US\$119,906 is repayable with monthly blended payments of principal and interest of US\$2,382 maturing January 5, 2018. The loan bears interest at 7% per annum and is secured by one shredding vehicle with a carrying value of CAD\$223,714 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$94,777 (US\$84,622).

On January 31, 2013, the Company entered into a loan and security agreement in the amount of US\$171,516, repayable with monthly blended payments of principal and interest of US\$3,407 maturing February 5, 2018. The loan bears interest at 7% per annum and is secured by one shredding vehicle with a carrying value of CAD\$251,752 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$138,551 (US\$123,706).

On October 24, 2013, the Company entered into a loan and security agreement in the amount of US\$187,950, repayable with monthly blended payments of principal and interest of US\$3,731 maturing October 24, 2018. The loan bears interest at 7% per annum and is secured by one shredding vehicle with a carrying value of CAD\$189,824 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$177,285 (US\$158,290).

On July 30, 2014, the Company entered into a loan and security agreement in the amount of US\$204,000, repayable with monthly blended payments of principal and interest of US\$4,055 maturing September 16, 2019. The loan bears interest at 7% per annum and is secured by one shredding vehicle with a carrying value of CAD\$266,005 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$228,480 (US\$204,000).

iii) Finance lease liability

On November 15, 2013, the Company entered into a finance lease in the amount of US\$137,035, repayable with monthly blended payments of principal and interest of US\$2,296 with a final payment of US\$37,680, maturing December 20, 2018. The loan bears interest at 7.95% per annum and is secured by one shredding vehicle with a carrying value of CAD\$190,277 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$137,639 (US\$122,892).

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

7 Long-term debt (continued)

iii) Finance lease liability (continued)

On July 17, 2014, the Company entered into a finance lease in the amount of US\$226,432, repayable with monthly blended payments of principal and interest of US\$3,861 with a final payment of US\$50,610, maturing August 20, 2019. The loan bears interest at 7.621% per annum and is secured by one shredding vehicle with a carrying value of CAD\$249,378 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$248,319 (US\$221,713).

iv) Term loans

In order to finance the purchase of the Proshred Charlotte franchise on July 31, 2013, the Company entered into the following loan agreements with related parties (see note 16):

- (a) A 5 year loan and security agreement in the amount of CAD\$525,750 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually;
- (b) A 5 year loan and security agreement in the amount of US\$75,000 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually;
- (c) A 4 year loan and security agreement in the amount of CAD\$100,000 with monthly blended payments of principal and interest of CAD\$2,488 maturing July 31, 2017. The loan bears interest at 9% per annum and the value of the loan on September 30, 2014 is CAD\$76,354;
- (d) A 4 year loan and security agreement in the amount of US\$50,000 with monthly blended payments of principal and interest of US\$1,244 maturing July 31, 2017. The loan bears interest at 9% per annum and the value of the loan on September 30, 2014 is CAD\$42,758 (US\$38,177); and
- (e) A 4 year loan and security agreement in the amount of US\$500,000, repayable with monthly blended payments of principal and interest of US\$12,681 maturing August 5, 2017. The loan bears interest at 10% per annum and is secured by four shredding vehicles and two non-shredding vehicles with a carrying value of CAD\$485,746 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$429,635 (US\$383,603).

8 Capital stock

a) Authorized

Unlimited number of common shares, without nominal or par value.
Unlimited number of preferred shares, without nominal or par value.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

8 Capital stock (continued)

b) Issued and fully paid

For the three and nine months ended September 30, 2014 and the year ended December 31, 2013, there were no changes in issued common shares of the Company.

The following are the balances of issued common shares of the Company:

	Common stock		Warrants		Total \$
	Number	\$	Number	\$	
Balance, December 31, 2013 and September 30, 2014	28,884,658	8,297,602	4,000,000	288,206	8,585,808

c) Weighted average common shares

The basic weighted average number of common shares outstanding for the three and nine months ended September 30, 2014, was 28,884,658 (December 31, 2013 - 28,884,658).

d) Stock options

At September 30, 2014, the Company has 1,192,500 options outstanding (December 31, 2013 – 1,462,500) and a weighted average exercise price of \$0.18 (December 31, 2013 - \$0.18). During the nine months ended September 30, 2014, there have been 280,000 stock options that expired (for the nine months ended September 30, 2013 – 158,750). There have been 10,000 stock options granted during the nine months ended September 30, 2014 (for the nine months ended September 30, 2013 – 50,000). The net stock compensation charge, for the nine months ended September 30, 2014, after adjusting for stock option forfeitures, amounted to \$126 (for the nine months ended September 30, 2013 – \$190).

e) Warrants

The Company issued two tranches of warrants in 2009. The first tranche of 3,000,000 warrants were issued in connection with the private placement and the second tranche of 1,000,000 warrants related to the line of credit obtained. In connection with the line of credit, the warrants were issued on April 28, 2010 when the line of credit was first drawn upon in accordance with the line of credit agreement. These warrants were recorded in the consolidated financial statements in 2009 as performance by the counterparty was complete at that date. The fair value of these warrants has been recorded as deferred financing charges and is being amortized into income over the term of the facility and is also subject to a two-year holding period commencing on the date of issuance. This is a non-cash transaction and has been excluded from the consolidated statements of cash flows. Tranches 1 and 2 of warrants expire on November 27, 2014 and December 23, 2014, respectively.

f) Convertible debentures

On December 31, 2012, the Company obtained equity and debt funding, directly or indirectly, from certain members of the Company's Board of Director's. The Company issued \$375,000 convertible, unsecured subordinated, debentures. The debentures have a five year term and a coupon of 7.5% interest per annum payable annually. The debenture holders may defer interest otherwise due and payable until the next interest payment date, in which case the deferred interest payment will accrue additional interest at 7.5% per annum. Each \$1,000 principal amount of debenture entitles the holder to convert to approximately 3,333 common shares at a conversion price of \$0.30 per share.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

9 Revenue

The revenue earned by the Company for the three and nine months ended September 30, 2014 and 2013 is broken down as follows:

	<i>For the 3 months ended September 30</i>		<i>For the 9 months ended September 30</i>	
	2014	2013	2014	2013
	\$	\$	\$	\$
Royalties	288,974	251,040	832,223	735,268
Franchise fees	30,451	262,195	95,681	262,195
License fees	2,118	2,010	7,715	4,569
Shredding services	1,032,669	774,454	3,020,144	1,972,759
Sale of paper products	214,680	162,580	648,053	435,121
Rental revenue	–	11,591	–	34,245
Total revenue	1,568,892	1,463,870	4,603,816	3,444,157

10 Corporate operating locations expenses by nature

The corporate operating locations expenses incurred by the Company for the three and nine months ended September 30, 2014 and 2013 are broken down as follows:

	<i>For the 3 months ended September 30</i>		<i>For the 9 months ended September 30</i>	
	2014	2013	2014	2013
	\$	\$	\$	\$
Shredding expenses	196,945	147,536	563,677	464,464
Employee wages expense	304,170	251,210	886,766	692,744
Employee benefit expense	79,901	52,974	207,729	142,182
Office and administration expense	138,465	124,645	397,785	273,917
Depreciation – equipment	119,093	97,969	286,683	220,488
Amortization – intangible assets	44,918	42,466	206,376	161,579
Total corporate operating expenses	883,492	716,800	2,549,016	1,955,374

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

11 Selling, general and administrative expenses by nature

The selling, general and administrative expenses incurred by the Company for the three and nine months ended September 30, 2014 and 2013 are broken down as follows:

	<i>For the 3 months ended September 30</i>		<i>For the 9 months ended September 30</i>	
	2014	2013	2014	2013
	\$	\$	\$	\$
Employee wages expense	169,528	186,405	514,622	550,118
Employee benefits expense	13,293	9,225	48,277	42,056
Share-based compensation	58	61	126	190
Professional fees	70,974	41,337	154,597	125,644
Technology	63,361	53,699	180,907	152,388
Rent and office expense	21,984	27,868	66,253	76,283
Selling and marketing	10,039	109,214	82,901	147,564
Loss on note receivable	44,577	–	44,577	–
Amortization of deferred financing charges	1,842	5,522	5,526	16,565
Amortization – intangible assets	135,083	111,430	406,306	331,416
Foreign exchange (gain) loss	(113,589)	96,602	(250,557)	(182,316)
Other	45,433	48,329	134,335	156,568
Total selling, general and administrative expenses	462,583	689,692	1,387,870	1,416,476

Compensation of key management

Included in employee wages and benefits expense above is key management personnel compensation as follows:

	<i>For the 3 months ended September 30</i>		<i>For the 9 months ended September 30</i>	
	2014	2013	2014	2013
	\$	\$	\$	\$
Wages and benefits	127,043	148,310	380,021	452,172
Share-based compensation	14	32	41	96
Total	127,057	148,342	380,062	452,268

Compensation of key management personnel includes the Chief Executive Officer, Chief Financial Officer, Vice President of Operations, Executive Vice President and former President.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

12 Commitments

Commitments

The Company leases office premises in Mississauga, Ontario, Canada. The lease expires on September 30, 2018. Additionally, the Company leases facilities in Syracuse, which expires on August 31, 2015, Milwaukee, which expires on August 31, 2017, New York City, which expires on September 30, 2015 and Charlotte, which expires on April 30, 2017. Certain contracts include renewal options for various periods of time. For the nine months ended September 30, 2014, the Company incurred \$160,423 (nine months ended September 30, 2013 - \$209,379) in lease payments as an expense included in 'selling, general and administrative expenses' and 'corporate operating expenses'.

Non-cancellable operating lease rentals are payable as follows:

	\$
Less than 1 year	198,940
Between 1 and 5 years	<u>351,293</u>
Total	<u>550,233</u>

13 Financial instruments and fair values

The Company has various financial assets that consist of: cash, trade receivables and notes receivable from franchisees. The Company's financial liabilities include accounts payable, accrued liabilities, notes payable, long-term debt and convertible debenture liability.

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, foreign exchange risk and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Interest rate risk

The Company's cash is subject to cash flow risk, as it earns interest at prevailing and fluctuating market rates. The Company has a fixed rate on notes receivable from franchisees ranging from 4.25% to 8.25% per annum, and the line of credit facility has a fixed interest rate of 10% per annum. The truck loans have fixed interest rates ranging from 6.502% to 8.14% per annum. The loans in connection with the Charlotte purchase have fixed interest rates of 9% to 10% per annum. These financial instruments are subject to interest rate fair value risk, as their fair values will fluctuate as a result of changes in market rates.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

13 Financial instruments and fair values (continued)

Credit risk

In accordance with its investment policy, the Company maintains cash deposits with banks. The credit risk on cash is limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies.

Receivables related to franchising and licensing

The accounts and notes receivable from franchisees are exposed to credit risk from the possibility that franchisees may experience financial difficulty. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee. Credit assessments are conducted with respect to all new franchisees and existing franchisees. In addition, the receivable balances are monitored on an ongoing basis. As of September 30, 2014, 6 franchisees accounted for 64% of the accounts receivable and notes receivable balance related to franchising and licensing (December 31, 2013 - 6 franchises accounted for 79%). For the nine months ended September 30, 2014, 3 franchisees accounted for 30% of the Company's revenues related to franchising and licensing (for the nine months ended September 30, 2013 - 3 franchisees accounted for 23%). As of September 30, 2014, there are no accounts receivable and notes receivable in this category over 90 days old (December 31, 2013 – nil).

Receivables related to corporate operations

The accounts receivable are exposed to credit risk from the possibility that customers may experience financial difficulty. The Company mitigates the risk of credit loss by limiting its exposure to any one customer. All new, one-time customers are required to make payments for services by way of preapproved credit card. In addition, the receivable balances with customers are monitored on an ongoing basis and collection efforts are dedicated on an ongoing basis to limit the Company's exposure to bad debt. At September 30, 2014 and December 31, 2013, no customer accounted for more than 10% of the accounts receivable balance. For the nine months ended September 30, 2014 and for the year ended December 31, 2013, no customer accounted for more than 10% of the Company's revenues in this category. As of September 30, 2014, 6% of accounts receivable in this category were over 90 days old (December 31, 2013 – 2%). The Company does not have any reason to believe it will not collect all remaining balances.

Foreign exchange risk

Since the Company operates internationally, it is exposed to currency risks as a result of potential exchange rate fluctuations related to non-intragroup transactions. Fluctuations in the Canadian dollar (CAD) and the US dollar (USD) exchange rates could have a potentially significant impact on the Company's results of operations. If there were a foreign exchange rate variation of -5% (depreciation of the USD) or a +5% (appreciation of the USD) against the CAD, from an average rate of USD\$1.00 = CAD\$1.0935, the total impact to net income would be a decrease/increase of approximately \$94,000.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

13 Financial instruments and fair values (continued)

Liquidity risk

The Company's objective is to have sufficient liquidity to meet liabilities when due. The Company has incurred significant losses to date, and has a deficit of \$9.2 million at September 30, 2014. Cash flow forecasting is performed by management, which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Although management considers its assumptions used in its cash flow forecasts to be reasonable, there is no assurance that the cash flow forecasts will be achieved. The Company monitors its cash balances and cash flows generated from operations to meet requirements. Based on overall cash generation capacity and overall financial position, while there can be no assurance, management believes the Company will be able to meet financial obligations as they come due. The Company does not have any financial covenants to comply with.

At September 30, 2014, the Company has current assets of \$1,378,460 (December 31, 2013 - \$1,108,006). The current liabilities of \$1,554,640 at September 30, 2014 (December 31, 2013 - \$1,430,600), are due to be settled within one year from the date of the Statement of Financial Position. At September 30, 2014, the Company has cash of \$561,141.

Principal	Less than 3 months \$	3 months to 1 year \$	2 – 5 years \$	Over 5 years \$
Accounts payable and accrued liabilities	479,883	–	–	–
Notes payable	27,517	78,928	19,761	–
Convertible debentures	–	–	341,456	–
Long-term debt	375,985	385,326	7,649,172	–

Interest	Less than 3 months \$	3 months to 1 year \$	2 – 5 years \$	Over 5 years \$
Notes payable	2,046	3,254	226	–
Convertible debentures	28,125	–	84,375	–
Long-term debt	341,853	422,823	1,756,991	–

Liquidity risk

Total principal and interest	Less than 3 months \$	3 months to 1 year \$	2 – 5 years \$	Over 5 years \$
Accounts payable and accrued liabilities	479,883	–	–	–
Notes payable	29,563	82,182	19,987	–
Convertible debentures	28,125	–	425,831	–
Long-term debt	717,838	808,149	9,406,163	–

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

13 Financial instruments and fair values (continued)

Fair value of financial instruments

The carrying value amounts of many of the Company's financial instruments, including cash, trade receivables, trade payables and accrued liabilities, which are all carried at amortized cost, approximate their fair value due primarily to the short-term maturity of the related instruments. The fair value estimates of the Company's notes receivable from franchisees are made as at a specific point in time based on estimates using present value or other valuation techniques. The carrying value of the Company's notes payable and long-term debt approximates fair value as the rates are similar to rates currently available to the Company.

These techniques involve uncertainties and are affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimate of future cash flows, future expected loss experience and other factors. The carrying value of the Company's notes receivable from franchisees at September 30, 2014, amounted to \$255,155 (December 31, 2013 - \$314,744) with fair value estimated to amount to \$212,839 (December 31, 2013 - \$306,286), respectively.

14 Capital management

The Company defines capital as shareholders' equity. The primary objective of the Company's capital management is to ensure that it maintains the appropriate capital levels to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or issue debt securities.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

15 Segment reporting

The business segments presented reflect the management structure of the Company and the way in which the Company's management reviews business performance. The Company operates three reportable operating segments, (1) the granting and managing of shredding business franchises under the "Proshred" trademark (Franchising and licensing), (2) the operation of corporately owned shredding businesses (Corporate locations) and (3) supporting the franchises and corporately owned shredding businesses (Corporate Overhead). Total assets and liabilities by reportable operating segment are as follows:

	Franchising and licensing	Corporate locations	Corporate Overhead	Total
	September 30, 2014	September 30, 2014	September 30, 2014	September 30, 2014
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash	93,381	136,185	331,575	561,141
Cash attributable to the Ad Fund	31,575	–	–	31,575
Trade receivables	103,814	491,218	15,479	610,511
Prepaid expenses	27,277	47,785	28,920	103,982
Notes receivable from franchisees	71,251	–	–	71,251
Total current assets	327,298	675,188	375,974	1,378,460
Non-current assets				
Notes receivable from franchisees	183,904	–	–	183,904
Equipment	–	2,571,000	–	2,571,000
Intangible assets	748,143	1,947,768	905,602	3,601,513
Goodwill	–	1,532,928	–	1,532,928
Total assets	1,259,345	6,726,884	1,281,576	9,267,805
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	71,007	387,675	227,709	686,391
Current portion of notes payable	3,982	102,463	–	106,445
Current portion of long-term debt	–	761,804	–	761,804
Total current liabilities	74,989	1,251,942	227,709	1,554,640
Non-current liabilities				
Long-term debt	–	7,648,678	–	7,648,678
Current portion of notes payable	–	19,761	–	19,761
Convertible debenture	–	–	341,456	341,456
Deferred tax liability	182,645	–	–	182,645
Total liabilities	257,634	8,920,381	569,165	9,747,180

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

15 Segment reporting (continued)

	Franchising and licensing	Corporate locations	Corporate Overhead	Total
	December 31, 2013	December 31, 2013	December 31, 2013	December 31, 2013
	\$	\$	\$	\$
ASSETS				
Current assets	100,857	140,902	107,239	348,998
Cash				
Cash attributable to the Ad Fund	63,375	—	—	63,375
Trade receivables	74,980	357,917	16,085	448,982
Prepaid expenses	27,128	46,482	24,408	98,018
Notes receivable from franchisees	148,633	—	—	148,633
Total current assets	414,973	545,301	147,732	1,108,006
Non-current assets				
Notes receivable from franchisees	166,112	—	—	166,112
Equipment	—	2,195,083	—	2,195,083
Intangible assets	866,422	2,088,437	1,104,388	4,059,247
Goodwill	—	1,455,467	—	1,455,467
Total assets	1,447,507	6,284,288	1,252,120	8,983,915
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	119,022	235,562	251,924	606,508
Current portion of notes payable	9,271	103,533	—	112,804
Current portion of long-term debt	—	648,004	—	648,004
Contingent consideration	—	5,318	—	5,318
Deferred revenue	57,966	—	—	57,966
Total current liabilities	186,259	992,417	251,924	1,430,600
Non-current liabilities				
Long-term debt	—	7,476,411	—	7,476,411
Long- portion of notes payable	—	98,452	—	98,452
Convertible debenture	—	—	337,882	337,882
Deferred tax liability	214,350	—	—	214,350
Total liabilities	400,609	8,567,280	589,806	9,557,695

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

15 Segment reporting (continued)

Geographic information

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Canada	\$	\$
Equipment	–	–
Intangible assets	905,602	1,104,388
United States		
Notes receivable from franchisees	255,155	314,745
Equipment	2,571,000	2,195,083
Intangible assets	2,695,911	2,954,859
Goodwill	1,532,928	1,455,467
Total		
Notes receivable from franchisees	255,155	314,745
Equipment	2,571,000	2,195,083
Intangible assets	3,601,513	4,059,247
Goodwill	1,532,928	1,455,467

Revenue

All revenues were attributed to the United States, with the exception of license fees, which were attributed to the Middle East.

For the three months ended,	<u>September 30, 2014</u>	<u>September 30, 2013</u>
	\$	\$
United States		
Royalties	288,974	251,040
Franchise fees	30,451	262,195
Shredding services	1,032,669	774,454
Sale of paper products	214,680	162,580
Rental revenue	–	11,591
Middle East		
License fees	2,118	2,010

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

15 Segment reporting (continued)

Geographic information (continued)

For the nine months ended,	September 30, 2014	September 30, 2013
	\$	\$
United States		
Royalties	832,223	735,268
Franchise fees	95,681	262,195
Shredding services	3,020,144	1,972,759
Sale of paper products	648,053	435,121
Rental revenue	–	34,245
Middle East		
License fees	7,715	4,569

Net income (loss) by operating segment

Total net income (loss) by reportable operating segment is as follows:

	For the three months ended September 30, 2014			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	321,543	1,247,349	–	1,568,892
Direct costs	–	(719,481)	–	(719,481)
Corporate overhead	(170,662)	(132,300)	(136,285)	(439,247)
Depreciation and amortization	(136,925)	(164,011)	–	(300,936)
Foreign exchange gain	–	–	113,589	113,589
Interest expense	–	(208,442)	(8,220)	(216,662)
Interest income	2,627	–	–	2,627
Gain on sales of assets	–	40,656	–	40,656
Income tax recovery	13,353	–	–	13,353
Net income (loss) from operations	29,936	63,771	(30,916)	62,791

	For the three months ended September 30, 2013			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	515,245	948,625	–	1,463,870
Direct costs	–	(576,365)	–	(576,365)
Corporate overhead	(350,590)	(106,618)	(18,930)	(476,138)
Depreciation and amortization	(116,952)	(140,435)	–	(257,387)
Foreign exchange loss	–	–	(96,602)	(96,602)
Interest expense	–	(168,783)	(8,215)	(176,998)
Interest income	1,844	–	–	1,844
Extinguishment of franchise agreement	(96,621)	–	–	(96,621)
Income tax expense	(191)	–	–	(191)
Net loss from operations	(47,265)	(43,576)	(123,747)	(214,588)

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

15 Segment reporting (continued)

Net income (loss) by operating segment (continued)

	For the nine months ended September 30, 2014			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	935,619	3,668,197	–	4,603,816
Direct costs	–	(2,055,957)	–	(2,055,957)
Corporate overhead	(539,287)	(354,976)	(332,333)	(1,226,596)
Depreciation and amortization	(411,832)	(493,058)	–	(904,890)
Foreign exchange gain	–	–	250,557	250,557
Interest expense	–	(597,177)	(24,660)	(621,837)
Interest income	7,346	–	–	7,346
Gain on sale of assets	–	40,656	–	40,656
Income tax recovery	40,265	–	–	40,265
Net income (loss) from operations	32,111	207,685	(106,436)	133,360

	For the nine months ended September 30, 2013			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	1,002,032	2,442,125	–	3,444,157
Direct costs	–	(1,573,307)	–	(1,573,307)
Corporate overhead	(606,554)	(309,261)	(334,996)	(1,250,811)
Depreciation and amortization	(347,981)	(382,067)	–	(730,048)
Foreign exchange gain	–	–	182,316	182,316
Interest expense	–	(488,495)	(24,660)	(513,155)
Interest income	5,793	–	–	5,793
Gain on sale of assets	–	3,754	–	3,754
Extinguishment of franchise agreement	(96,621)	–	–	(96,621)
Income tax recovery	24,738	–	–	24,738
Net loss from operations	(18,593)	(307,250)	(177,341)	(503,184)

16 Related party balances and transactions

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. At September 30, 2014, there is no accounts receivable balance due from this franchise (December 31, 2013 - \$727). During the nine months ended September 30, 2014, the Company earned royalty and service fees amounting to \$72,036 (2013 - \$63,623) from this franchise.

The Company has a line of credit facility with a related party entity, the Company's largest shareholder, for a maximum of \$6.03 million, repayable on November 27, 2017, bearing interest at a fixed rate of 10% per annum (refer to note 7). The Company has drawn from its line of credit in order to finance the purchase of its corporate locations including Syracuse, Albany, Milwaukee in 2010 and New York City and Miami in 2012 as well as for general business purposes.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

(expressed in Canadian dollars)

16 Related party balances and transactions (continued)

Included in selling, general and administrative expenses for the nine months ended September 30, 2014 are insurance premium amounts of \$14,753 (September 30, 2013 - \$13,310) paid to an insurance brokerage firm, managed by a Director of the Company.

On December 31, 2012, the Company obtained equity and debt funding, directly or indirectly, from certain members of the Company's Board of Director's. The Company issued \$375,000 convertible, unsecured subordinated, debentures. The debentures have a five year term and a coupon of 7.5% interest per annum payable annually. The debenture holders may defer interest otherwise due and payable until the next interest payment date, in which case the deferred interest payment will accrue additional interest at 7.5% per annum. Each \$1,000 principal amount of debenture entitles the holder to convert to approximately 3,333 common shares at a conversion price of \$0.30 per share.

In order to finance the purchase of the Proshred Charlotte franchise on July 31, 2013 (see note 7). The Company entered into the following loan agreements with certain members of the Company's Board of Directors and their affiliates:

- (a) A 5 year loan and security agreement in the amount of CAD\$525,750 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually;
- (b) A 5 year loan and security agreement in the amount of US\$75,000 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually;
- (c) A 4 year loan and security agreement in the amount of CAD\$100,000 with monthly blended payments of principal and interest of CAD\$2,488 maturing July 31, 2017. The loan bears interest at 9% per annum;
- (d) A 4 year loan and security agreement in the amount of US\$50,000 with monthly blended payments of principal and interest of US\$1,244 maturing July 31, 2017. The loan bears interest at 9% per annum and the value of the loan on September 30, 2014 is CAD\$42,758 (US\$38,177); and
- (e) A 4 year loan and security agreement in the amount of US\$500,000, repayable with monthly blended payments of principal and interest of US\$12,681 maturing August 5, 2017. The loan bears interest at 10% per annum and is secured by four shredding vehicles and two non-shredding vehicles with a carrying value of CAD\$485,746 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$429,635 (US\$383,603).

17 Subsequent events

On November 27, 2014 the Company made a principal payment of \$250,000 against its line of credit. The Company's line of credit remains available at the full amount of \$6.03 million.